

Multidimensional Chart of Accounts (MCoA)

A draft outline of a sample

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CFRR >>
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Public Sector Accounting and Reporting Program

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Objective of MCoA



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- The outline MCoA was developed based on studies of the chart of accounts of several ECA countries
- Integrated outline of MCoA serves as a good practice tool for development of local chart of accounts that enables reporting for:
 - i. Financial;
 - ii. Statistical;
 - iii. Budgeting;
 - iv. Performance; and
 - v. Management accounting purposes.
- To be further enhanced and transformed into a full working chart of accounts based on the specific reporting needs of workshop participants' countries.

Structure of MCoA



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CLASS	Brief description
Class 0 - Cash outflows	Accounts for recording actual cash outflows of budgetary expenditure
Class 1 - Non-current assets	Statement of financial position accounts
Class 2 - Current assets	
Class 3 - Net assets	
Class 4 - Non-current liabilities	
Class 5 - Current liabilities	
Class 6 - Revenue	Statement of financial performance accounts
Class 7 - Expenses	
Class 8 - Costs	Management accounts
Class 9 - Cash inflows	Accounts for recording actual cash inflows of budgetary expenditures
Class B0 - Budgeted cash outflows	Off balance sheet accounts for recording original budgeted expenditure and its settlement
Class B9 - Budgeted cash inflows	Off balance sheet accounts for recording original budgeted receipts and their settlement

Main focus of the MCoA – Financial Reporting purposes



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- Statement of financial position – mainly prepared using the balances of accounts in Class 1-5;
- Statement of financial performance – mainly prepared using the turnover of accounts in Class 6-7;
- Statement of changes in net assets/equity – mainly prepared using balances and turnover of accounts in Class 3.
- Cash flow statement – prepared using accounts in Class 0 and 9;
- Notes - prepared using the entire chart to disclose information required by IPSAS that is not evident from primary financial statements provided above, also includes narrative detailing basis of preparation of financial statements and specific accounting policies used.
- Statement of comparison of budget and actual amounts as defined by IPSAS 24 “Presentation of Budget Information in Financial Statements” – prepared using accounts in Class B0 and B9; and Class 0 and Class 9.

MCoA – for GFSM2014 purposes (enabling preparation of core financial statements)



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- Statement of operations;
- Statement of sources and uses of fund;
- Statement of other economic flows;
- Balance sheet.

Linkages to reports

- Class 0 - Cash outflows and Class 9 - Cash inflows for recording expenditures and cash receipts;
- Each class of assets and liabilities is added by accumulated effect of holding gains and losses;
- Revenue and expenses are added by gains/losses on current market valuations;
- Classifier 2 - Holding gains/losses is added to Class 7.

MCoA – Other purposes



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- Management accounting purposes (not compulsory):
 - Class 8 - Costs establish the basis for the development of a management accounting system.
- Performance reporting purposes:
 - Classifier 1 – Programs added to Class 0, Class B0, Class 7, and Class 8.
- **Budgetary reporting purposes:**
 - Class B0 - Budgeted cash outflows;
 - Class B9 - Budgeted cash inflows.

Class 0 - Cash outflows



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DR	0211-Wages and salaries; 0221- Supplies.
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CR	228-Treasury accounts; 229-Bank accounts
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Execution of cash outflow for wages and salaries; supplies....

DR	512-Payables to employees; 5111-Domestic Suppliers
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CR	0211-Wages and salaries; 0221-Supplies; 0263-Grants.
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Payable is settled.

Class 9 - Cash inflows



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DR	228-Treasury accounts; 229-Bank accounts
CR	9111-Taxes on income, profits, and capital gains; 9133-Grants
Receipt of cash inflows related to taxes; grants...	
DR	9111-Taxes on income, profits, and capital gains; 9133-Grants
CR	22111-Domestic receivables from non-exchange transactions (taxes and transfers)
Settlement of receivable.	

Class B0 - Budgeted cash outflows and Class B9 - Budgeted cash inflows



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DR	B0211-Wages and salaries; B0221-Supplies; B0263-Grants.
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Input of budgeted expenditure in the accounting system.

CR	B0211-Wages and salaries; B0221- Supplies; B0263- Grants.
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Settlement of budgeted expenditure.

Statement of comparison of budget and actual amounts as defined by IPSAS 24



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(in currency units)	Budgeted Amounts		Actual Amounts on Comparable Basis	Difference Original Budget and Actual
	Original	Final		
RECEIPTS				
Taxation	X	X	X	X
Aid Agreements				
Proceeds: Borrowing	X	X	X	X
Proceeds: Disposal of plant and equipment	X	X	X	X
Trading Activities	X	X	X	X
Other receipts	X	X	X	X
Total receipts	X	X	X	X
PAYMENTS				
Health	(X)	(X)	(X)	(X)
Education	(X)	(X)	(X)	(X)
Public order/safety	(X)	(X)	(X)	(X)
Social protection	(X)	(X)	(X)	(X)
Recreational, cultural, and religion	(X)	(X)	(X)	(X)
Other	(X)	(X)	(X)	(X)
Total payments	(X)	(X)	(X)	(X)
NET RECEIPTS/(PAYMENTS)	X	X	X	X

Statement of financial position accounts



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Class 1 - Non-current assets

- 11-12 Non-current non-financial assets;
- 13 Non-current financial assets;
- 14 Current market value effect on non-current assets stocks (GFS purposes):

Class 2 - Current assets

- 21 Current non-financial assets;
- 22 Current financial assets;
- 23 Current market value effect on current assets stocks (GFS purposes):

Statement of financial position accounts



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Class 3 - Net assets

- 31 Contributed capital;
- 32 Differences from revaluation;
- 33 Accumulated surplus/deficit;
- 34 Other provisions;
- 35 Holding gain/loss accumulated effect – GFS purposes:

Statement of financial position accounts



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Class 4 - Non-current liabilities

- 41 Long-term financial liabilities;
- 42 Other non-current liabilities;
- 43 Current market value effect on non-current liabilities stocks (GFS purposes):

Class 5 - Current liabilities

- 51 Short-term financial liabilities;
- 52 Other current liabilities;
- 53 Current market value effect on current liabilities stocks (GFS purposes).

Statement of financial performance accounts



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Class 6 - Revenue

- 61 Budget revenue from non-exchange transactions;
- 62 Revenue from exchange transactions;
- 63 Other gains:
 - 631 - *Gain from current market value effects on stocks* – classifier 2 – Holding gains/losses is attached.

Class 7 - Expenses

- 71-72 Program expenses;
- 73-74 Other expenses and losses:
 - 741 - *Loss from current market value effects on stocks* – classifier 2 – Holding gains/losses is attached.

Statement of financial performance accounts



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Class 8 - Costs

- Not compulsory;
- Users of small entities and larger entities;
- Depends on the costing method applied;
- Classifier 1 - Programs is attached.

Class 8 – Costs (example of medical clinics - ABC Costing)

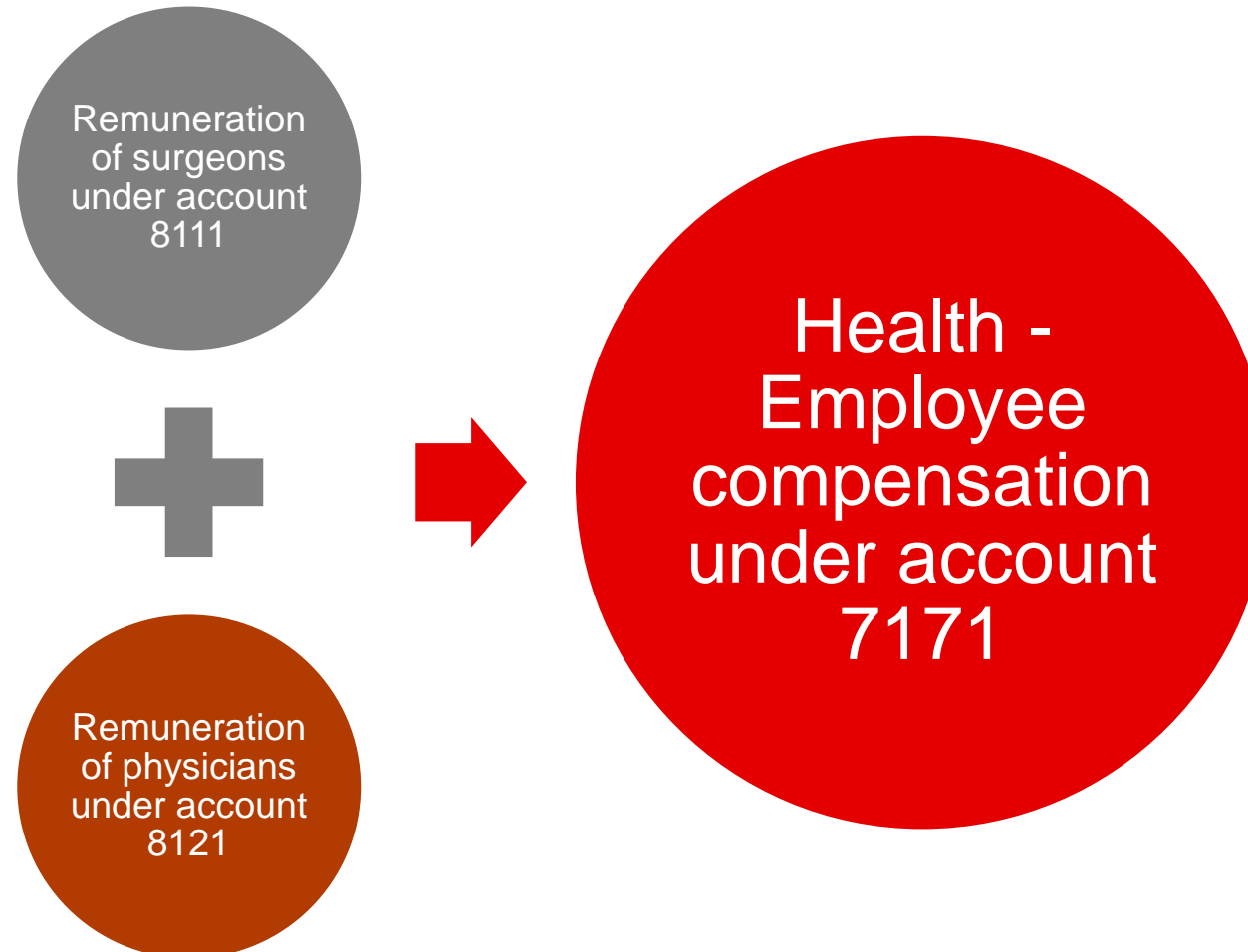


- Identify activities, such as:
 - Surgeries performed;
 - Consultations provided.
- For each activity open appropriate accounts, such as:
 - 811 “Production costs related to surgeries”;
 - 812 “Production costs related to consultations”.
- Assign costs to each activity, such as:
 - 8111 “Remuneration of surgeons”;
 - 8121 “Remuneration of physicians”.
- Transfer the sum of remuneration expenses to the single account 7171 “Health - Employee compensation”.

Class 8 – Costs (example of medical clinics - ABC Costing)



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Classifier 1 - Programs



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01	General public services
01.1	Executive and legislative organs, financial and fiscal affairs, external affairs
01.2	Foreign economic aid
01.3	R&D general public services
01.4	Public debt transactions
02	Public order and safety
02.1	Police services
02.2	Fire-protection services
02.3	Prisons
03	Housing and community
03.1	Housing development
03.2	Community development
03.3	Water supply
03.4	Street lightning
...	

Classifier 2 - Holding gains/losses



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H1	Revenue
H11	Taxes
H12	Social contributions
H13	Grants
H14	Other revenue
H2	Expense
H21	Compensation of employees
H22	Use of goods and services
H23	Consumption of fixed capital
H24	Interest
H25	Subsidies
H26	Grants
H27	Social benefits
H28	Other expense

Classifier 3 – for consolidation purposes



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Application of a classifier for consolidation purposes

- It is vital to set standardization mechanisms for preparing consolidated financial statements.
- Consolidation should be addressed separately as it is complex. Nevertheless, certain technics can be envisaged in the MCoA to ease the process of consolidation at this phase.
- To ease up the consolidation process **“Public Sector Entities Classifier”** should be added to MCoA.
- This will enable the entities to register accounting entries with public sector entities (e.g. receipt of grants from government agencies) using compulsory coding of the classifier. This will help to eliminate the intragroup transactions at the consolidation level.



Thank you.
Any questions?



CASE STUDY

Case study



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- Reportable entity - Local Governance Body (LGB);
- Trial balance for the year ended December 31, 2018 - presented in Exhibit 1;
- Financial statements to be prepared:
 - Statement of operations based on GFSM;
 - Statement of sources and uses of funds based on GFSM;
 - Statement of financial position based on IPSAS;
 - Statement of financial performance based on IPSAS.
- Recommendations to be included in the outline of the MCoA, ensuring specific reporting needs of the participants (countries represented) are fulfilled.

STATEMENT OF OPERATIONS



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	Transactions Affecting Net Worth:
1	Revenue
11	Taxes
12	Social contributions
13	Grants
14	Other revenue
2	Expense
21	Compensation of employees
22	Use of goods and services
23	Consumption of fixed capital
24	Interest
25	Subsidies
26	Grants
27	Social benefits
28	Other expense
NOB/GOB	Net/gross operating balance (1–2)

STATEMENT OF OPERATIONS (continued)



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	Transactions in Non-financial Assets:
31	Net/gross investment in non-financial assets
311	Fixed assets
312	Inventories
313	Valuables
314	Non-produced assets
2M	Expenditure (2+31)
NLB	Net lending (+) / Net borrowing (–) ($1-2-31 = 1-2M = 32-33$)
	Transactions in Financial Assets and Liabilities (Financing):
32	Net acquisition of financial assets
321	Domestic
322	External
33	Net incurrence of liabilities
331	Domestic
332	External

STATEMENT OF SOURCES AND USES OF FUNDS



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	Cash Flows from Operating Activities:
C1	Revenue cash flows
C11	Taxes
C12	Social contributions
C13	Grants
C14	Other receipts
C2	Expense cash flows
C21	Compensation of employees
C22	Purchases of goods and services
C24	Interest
C25	Subsidies
C26	Grants
C27	Social benefits
C28	Other payments
CIO	Net cash inflow from operating activities (C1–C2)

STATEMENT OF SOURCES AND USES OF FUNDS (continued)



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	Cash Flows from Transactions in Nonfinancial Assets:
C31	Net cash outflow from investment in nonfinancial assets
C311	Fixed assets
C312	Inventories - Strategic stocks
C313	Valuables
C314	Non-produced assets
C2M	Expenditure cash flows (C2+C31)
CSD	Cash surplus (+) / Cash deficit (-) (C1-C2-C31 = C1-C2M = C32-C33)
	Cash Flows from Transactions in Nonfinancial Assets:
	Cash Flows from Transactions in Financial Assets and Liabilities (Financing):
C32x	Net acquisition of financial assets other than cash
C321x	Domestic
C322x	External
C33	Net incurrence of liabilities
C331	Domestic
C332	External
NFB	Net cash inflow from financing activities (C33-C32x)

STATEMENT OF FINANCIAL POSITION



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ASSETS	
Current assets	
Cash and cash equivalents	X
Receivables	X
Inventories	X
Non-current assets	
Infrastructure, property, plant, and equipment	X
Intangible assets	X
Investment property	X
Other non-financial assets	X
TOTAL ASSETS	X
LIABILITIES	
Current liabilities	
Payables	X
Non-current liabilities	X
Total liabilities	X
Net assets	X

STATEMENT OF FINANCIAL POSITION (continued)



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NET ASSETS/EQUITY	
Capital contributed by other government entities	X
Reserves	X
Accumulated surplus/(deficit)	X
Total assets/equity	X

STATEMENT OF FINANCIAL PERFORMANCE



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Revenue	
Taxes	X
Fees, fines, penalties, and licenses	X
Revenue from exchange transactions	X
Transfers from other government entities	X
Other revenue	X
Total revenue	
Expenses	
General public services	(X)
Public order and safety	(X)
Housing and community amenities	(X)
Recreational, cultural, and religion	(X)
Total expenses	(X)
Surplus/(deficit) for the period	X